

Message Text

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ACTION COME-00

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FM AMEMBASSY MANILA

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AMEMBASSY KUALA LUMPUR

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AMEMBASSY TAIPEI

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AMEMBASSY BANGKOK

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SUBJECT: PHILIPPINE ELECTRONICS INDUSTRY

REF: SINGAPORE 3186

SUMMARY. FOUR ESTABLISHED PHILIPPINE ASSEMBLERS OF SEMI-CONDUCTORS ARE EXPERIENCING FALL-OFF IN DEMAND FOR THEIR PRODUCTS BECAUSE OF EXCESS INVENTORIES AND WEAKENED INDUSTRY SITUATION IN U.S. INDUSTRY SLUMP, DESCRIBED AS CYCLICAL BY TRADE, STARTED IN LATE JUNE AND IS EXPECTED TO CONTINUE THROUGH CALENDAR YEAR AND POSSIBLY INTO MID 1975. LARGEST PRODUCER NOW EMPLOYING 2200 HAS RELEASED 20 PERCENT OF LABOR FORCE SINCE LATE JUNE; SAME FIRM, LIMITED OFFICIAL USE

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HOWEVER, WILL BE HIRING APPROXIMATELY 1000 FOR SEPARATE

VENTURE STARTING IN OCTOBER WITH GERMAN PARTNER. ANOTHER MAJOR FIRM DEPENDENT ON LIMITED NUMBER OF CUSTOMERS HAS LAID OFF 2300 EMPLOYEES OR TWO-THIRDS OF WORK FORCE DURING AUGUST FOLLOWING ORDER CANCELLATIONS. TWO OTHER COMPETITORS, HOWEVER, ARE OPERATING WITH FULL COMPLEMENTS. DESPITE SOFTNESS IN DEMAND PHILIPPINES SEMI-CONDUCTOR INDUSTRY IS CONTINUING EXPANSIONS AND NEW INVESTMENTS. SOME PLANS, HOWEVER, HAVE BEEN DISRUPTED FOR PROSPECTIVE AND NEW ASSEMBLERS WHO HAVE NOT YET STARTED OR ESTABLISHED THEMSELVES WITH END-USERS. END SUMMARY.

1. STANFORD MICROSYSTEMS, INC., AT PRESENT LARGEST ASSEMBLER, EMPLOYS 2200 WORKERS IN THREE SHIFT OPERATION. AS PRODUCER OF RANGE OF INTEGRATED CIRCUITS AND TRANSISTORS, COMPANY APPEARS TO BE IN GOOD POSITION BECAUSE OF ITS PRODUCT MIX AND DIVERSIFIED RANGE OF CUSTOMERS (SOME 12 TO 15). AIR SHIPMENTS TO U.S. AND EUROPEAN MARKETS TOTAL ABOUT 4,000 LBS. PER MONTH. IN ADDITION TO ITS OWN PLANT, STANFORD IS IN JOINT VENTURE WITH TELEFUNKEN; NEW PLANT EXPECTED TO START PRODUCTION IN OCTOBER WITH CAPACITY ROUGHLY HALF OF THAT AT STANFORD.

2. CARTER SEMICONDUCTOR PHILS., INC, PHILIPPINE ASSEMBLER WITH LARGEST CAPACITY, 360 MILLION UNITS PER YEAR, IS IN DEEP TROUBLE BECAUSE OF LACK OF ORDERS. IN STORY REPORTED FRONT PAGE BUSINESS DAY AUGUST 9, MANILA'S LEADING BUSINESS DAILY, CARTER'S PRESIDENT ANDY ANG STATED THAT CRITICAL INTERNATIONAL MARKET SLUMP FOR INTEGRATED CIRCUITS, DUE TO SUDDEN INCREASE IN SUPPLY COMBINED WITH DEPRESSED DEMAND, HAS CAUSED SUBSTANTIAL CUTBACKS OR OUTRIGHT CANCELLATION OF ORDERS. TEXAS INSTRUMENTS WHICH USED TO TAKE 30 PERCENT OF CARTER'S OUTPUT, PHASED OUT ORDERS AS OF AUGUST 6. OTHER U.S. IMPORTERS HAVE IMPOSED CUTBACKS RANGING FROM 40 TO 70 PERCENT ON ORDERS. ACCORDING TO ANG, RECENT ENERGY CRISIS HAS GREATLY AFFECTED AVAILABILITY OF RAW MATERIALS FOR INTEGRATED CIRCUITS, LEAD TIME OF 52-80 WEEKS BEFORE ORDERS COULD BE DELIVERED. AS RESULT, USERS OF SEMI-CONDUCTORS HAVE PLACED HUGE ORDERS FAR IN ADVANCE OF EXPECTED DELIVERY. WITH INCREASED OVERSEAS FACTORIES LIMITED OFFICIAL USE

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AND MORE AVAILABLE RAW MATERIALS, HOWEVER, SUPPLY HAS SUDDENLY CAUGHT UP WITH DEMAND. AT SAME TIME SEMI-CONDUCTOR DEMAND IN U.S. HAS DETERIORATED, WITH AUTO AND CONSUMER INDUSTRIES CANCELLING ORDERS. WORLDWIDE, THIS HAS RESULTED IN ACCUMULATION OF EXCESS INVENTORIES ON PART OF DISTRIBUTORS AND ENDUSERS WHO HAD PLACED HUGE ORDERS BEFORE.

3. ANOTHER ASSEMBLER, DYNETICS, INC., NOTES SOFTNESS IN MARKET BUT REPORTS PLANT WORKING AT CAPACITY WITH FULL WORK FORCE. SPECIALIZING IN BIPOLAR AND METAL OXIDE SILICON (MOS), MANAGEMENT SEES DOUBLING OF DEMAND FOR BIPOLAR PRODUCTS AND QUINTUPLING FOR MOS IN U.S. BY 1977. COMPANY PROCEEDING WITH PLANT EXPANSION WHICH WILL BRING GROSS SALES TO \$4 MILLION PER MONTH BY DECEMBER 1975. FIRM APPEARS CONFIDENT OF ITS POSITION BECAUSE OF MARKETING AFFILIATION WITH INTERLECK IN CALIFORNIA.

4. A FOURTH FIRM, COMPTRONICS PHILS., INC., ACCORDING TO INDUSTRY SOURCES, HAS HAD NO LAY-OFFS. COMPANY IS PRODUCING MULTI-LEAD INTEGRATED CIRCUITS FOR MINI-COMPUTERS.

5. CURRENT MARKET SITUATION HAS DISRUPTED PLANS FOR NEW AND PROSPECTIVE ASSEMBLERS. MICRO-ELECTRONICS SYSTEMS, FOR EXAMPLE, STARTED PRODUCTION IN APRIL 1974 OF 40-LEAD MOS LARGE SCALE INTEGRATED SEMI-CONDUCTORS FOR COMPUTER INDUSTRY. THREE HUNDRED THOUSAND DOLLARS WERE INVESTED IN JAPANESE EQUIPMENT. LATE JUNE FIRM WAS COMPLETING EVALUATION OF SAMPLES FOR CUSTOMERS; ORDERS, HOWEVER, DID NOT EVENTUATE. ALL 31 START-UP EMPLOYEES HAVE BEEN DISMISSED, INCLUDING MARKETING MANAGER IN U.S. MANUFACTURING MANAGER, SINGAPORE NATIONAL, ANTICIPATES NO RESUMPTION OF PRODUCTION UNTIL EARLY 1975. INDUSTRY SOURCE REPORTS THAT FIRM WAS SOLD LAST WEEK TO ELECTRONICS ARRAY OF SINGAPORE, SUBSIDIARY OF PHILIPS.

6. INTEL CORP., U.S. SUBSIDIARY HAS REPORTEDLY STARTED INITIAL OUTPUT OF 30,000 SEMI-CONDUCTORS PER WEEK. COMPLEX AND FREUHAUF ARE SAID TO BE READY TO START PRODUCTION. CONSTRUCTION IS BELIEVED UNDERWAY BY SW MICROCIRCUITS (STEWART WARNER) AND SDL/BANCOM. OTHER LIMITED OFFICIAL USE

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PROSPECTIVE ASSEMBLERS, MOST OF WHOM ARE HOLDING PLANS IN ABEYANCE ARE: JELBAND MICROELECTRONICS, EDDIE ELECTRONICS, ELECTRONICS PHIL. CORP., LITRONICS, OPTICAL DIODE AND FAIRCHILD. SULLIVAN

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